



The SECURE Act

OUR SOLUTION

The Setting Every Community Up for Retirement Enhancement (SECURE) Act was signed by President Trump in December 2019 and became law as of Jan. 1, 2020. The new legislation brings changes for long-term retirement savings and affects Americans at every age. It also presents several opportunities for financial professionals. This week, we continue our focus of the SECURE Act with a case study.

The financial professional wanted to pursue \$10 million of life insurance coverage, arbitrarily determining that face amount by looking at the client's net worth (essentially pulling the number out of a hat). The DBS advanced case design resource advised the financial professional that carriers are sometimes reluctant to grant the amount that is comparable to net worth on elderly clients; they look at estate tax but aren't sure how to calculate the income tax impact of the recent SECURE Act changes.

The DBS advanced case design resource ran the numbers using the new DBS tool, which helps determine not only the amount of insurance an individual may need for estate taxes but also the income tax to qualified plans. The DBS associate identified a necessary face amount of \$8.8 million, and with that number was able to get the carrier to accept \$10 million of coverage.

THE SITUATION

A financial professional reached out to DBS to talk to our advanced case design resource about his client, a 72-year-old widow with a net worth of \$9 million, \$7.5 million of which was in qualified plans. The client has two daughters, both well-to-do high earners in the top tax bracket.

The client is in good shape, so her chances of living past the time period when the estate tax exemption "sunset" back to \$5 million is good. Therefore, when looking at how the heirs would be impacted by the estate, they would be severely affected by both estate taxes as well as income taxes (IRD tax) because of the recently enacted 10 years rule vs. stretch distribution.

COMMENTARY: When working with clients who have a high net worth, particularly when a high percentage is in qualified plans, it's often possible to justify insurance coverage equal to 100% of a client's net worth.

When you work with DBS, you've got the expertise and backing of seasoned professionals who know how to work with the carriers to obtain the desired outcome. Contact us today for help with your next case!